DANBOR A/S

Kanalen 1, 6700 Esbjerg
CVR no. 49 67 77 15

Annual report
2016

Approved at the Company's annual general meeting
on 29 / 5 2017

Jan Thim

Contents

Company information

Company	DANBOR A/S Kanalen 1 DK-6700 Esbjerg
	Telephone: + 45 7911 1900 Fax: + 45 7911 1901
	Website: www.danbor.com E-mail: dk@danbor.com
	CVR no.: 49 67 77 15 Registered office: Esbjerg
Board of Directors	John Stangeland (Chairman) Steinar Modalslid-Meling Knut Magne Johannessen Søren Friis Knudsen
Executive Board / CEO	Jørn Bue Madsen
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Havnegade 33 DK-6700 Esbjerg

Financial highlights

	2016 DKK mill.	2015 DKK mill.	2014 DKK mill.	2013 DKK mill.	2012 DKK mill.
Income statement:					
Revenue	414,1	365,0	400,7	501,4	543,7
Profit before financial income and expenses	2,6	13,6	49,3	39,9	53,7
Financial income and expenses, net	-1,1	-0,3	0,6	-1,3	0,6
Ordinary profit after tax	0,1	9,2	37,9	27,7	34,5
Profit for the year	0,1	9,2	37,9	27,7	34,5
Balance sheet:					
Total assets	295,6	328,3	262,1	309,1	285,9
Investment in property, plant and equipment	13,3	25,7	37,7	17,7	46,3
Equity	123,2	135,4	141,1	237,4	211,7
Employees:					
Average number of employees	378	376	342	458	477
Key figures:					
EBIT-margin	0,6%	3,7%	12,3%	7,9%	9,9%
EBT-margin	0,4%	3,5%	12,3%	7,7%	10,0%
Return on invested capital (ROIC)	1,0%	6,0%	24,3%	17,3%	25,4%
Assets/Equity	2,4	2,4	1,9	1,3	1,4
Return on equity (ROE)	0,1%	6,7%	20,0%	12,3%	20,8%

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios, "Recommendations and Financial Ratios 2015"

The financial ratios have been calculated as follows:

EBIT-margin $\dfrac{\text{Profit before financial income and expenses/profit for year x 100}}{\text{Revenue}}$

EBT-margin $\dfrac{\text{Profit before tax for the year/profit for the year x 100}}{\text{Revenue}}$

Return on invested capital (ROIC) $\dfrac{\text{Profit before financial income and expenses/profit for year x 100}}{\text{Average invested capital}}$

Assets/Equity $\dfrac{\text{Total assets}}{\text{Equity}}$

Return on equity (ROE) $\dfrac{\text{Profit/loss from ordinary activities after tax x 100}}{\text{Average equity}}$

Management's review

Operating activities

The principal activities in the DANBOR GROUP and DANBOR A/S are to act as a supply base for the offshore oil and gas industry and as onshore supply base in connection with stevedoring, the wind turbine industry, agency, transportation and logistics, catering, iron and steel production, surface treatment, repair and maintenance, sale and service of equipment as well as lease of equipment, offices and inventories.

Development in activities and financial matters

The GROUP reported revenue of DKK 414 million against DKK 365 million last year. Profit after tax amounted to DKK 0.1 million against DKK 9.2 million the year before. The profit was affected by the general decline in the Oil & Gas market and pressure on sales prices consequently. Further the profit was affected by organizational changes and administrative projects by DKK8.1 million – costs considered as non-recurring. The profit for 2016 are therefore below the expectations mentioned last year.

In general the year was characterised by an activity level below last year. The GROUP is expecting an activity level below the level for 2016.

Investments

Investments during the year comprised the construction of a new Pipe Yard and inspection hall, replacement of technical facilities, other equipment and cars as well as upgrading of buildings and land. The level of investments for the year is considered low. The planned investment level for the fiscal year 2017 is considered significantly higher.

Safety and environmental issues

In line with previous years, activities for the year were carried out highly focusing on safety. The Company's 12 months accident frequency (LTIF) represented 0,93 at year end, which once again was below the offshore industry's accident frequency taken as a whole (basis for the calculation is the number of incidents x exposure hours / 200,000 exposure hours).

The Group has adopted and participates in the NORSEA GROUP's mutual efforts of documenting and complying with good corporate social responsibility. The report is available at http://danbor.com/News-Media/Publications

Particular risks

General risks

The GROUP's activities in connection with the offshore oil and gas industry are sensitive towards changes in the oil companies' activity levels.

Financial risks

Currency risks

Activities abroad imply that profit/loss, cash flows and equity are affected by the foreign exchange and interest rate development relating to a number of currencies.

Credit risks

These risks primarily relate to customers and credit institutions. The group hedges anticipated interest risks on mortgage loans with SWAP-agreements. Customers are credit rated on a regular basis and mortgage liabilities are based on a floating rate of interest.

Corporate social responsibility

Danbor Group has adopted and participates in the Group's mutual efforts of documenting and complying with good corporate social responsibility. Latest report is available at http://danbor.com/News-Media/Publications.

Referring to the above, Danbor Group has guidelines related to CSR, but no formal policy for human rights, climate and environmental impact and Danbor Group has chosen not to prepare a separate statement.

Targets and procedures for female representation in executive positions

Danbor Group aims at promoting diversity and gender equality which means that no employees may be discriminated due to gender or other circumstances. A gender balance is in the interest of Danbor, as we believe that both genders represent the diversity and values that Danbor stands for.

There are currently four men and no women on the board.The Board of Directors has set a target of 20 % female board members to be reached within 4 years. The target is not yet achieved.

A policy for other executive positions has been prepared and based on the number of employees, the underrepresented gender amounts to approx. 25 %. The target is achieved.

The company strives to create a good and versatile workplace that promotes women's and men's career opportunities including competency development. For appointments to management positions at least one female should be among the final candidates, if at all possible.

Events after the balance sheet date

Management is of the opinion that from the balance sheet date until today, no events have occurred which could alter the assessment of the annual report substantially.

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Danbor A/S for the financial year 1 January - 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2016, and of the results of the Group's and the Parent company's operations and the consolidated cashflows for the financial year 1 January – 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

We recommend the annual report to be approved at the annual general meeting.

Esbjerg, May 29th 2017

CEO

Jørn Bue Madsen

Board of Directors

John Stangeland Chairman	Steinar Modalslid-Meling	Knut Magne Johannessen

Søren Friis Knudsen

Independent auditor's report

To the shareholders of Danbor A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danbor A/S for the financial year 1 January – 31 December 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as a consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Esbjerg, May 29th 2017

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Søren Jensen
State Authorised
Public Accountant

Income statement 1 January – 31 December

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
2	**Revenue**	414.096	365.001	353.289	358.838
6	Other operating income	317	23	317	23
	Costs of raw materials and supplies	-44.293	-42.488	-43.491	-43.019
3	Other external costs	-109.562	-96.750	-91.434	-94.638
	Gross profit	**260.558**	**225.786**	**218.681**	**221.204**
4	Staff costs	-237.626	-199.057	-191.457	-189.334
5	Depreciation and amortization	-20.336	-13.152	-14.823	-11.315
	Profit before financial income and expenses	**2.596**	**13.577**	**12.401**	**20.555**
	Share of profit in subsidiaries after tax	0	0	-9.320	-5.883
	Gain from shares in associate company	0	-352	0	2.900
7	Financial income	161	358	285	357
8	Financial expenses	-1.290	-632	-999	-592
	Profit before tax for the year	**1.467**	**12.951**	**2.367**	**17.337**
9	Tax on profit for the year	-1.321	-3.749	-2.221	-4.883
	Profit for the year	**146**	**9.202**	**146**	**12.454**

	2016	2015
Breakdown of the consolidated results of operations		
Shareholders, Danbor A/S	146	9.199
Non-controlling Interest	0	3
	146	9.202

Balance sheet at 31 December

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	ASSETS				
	Non-current assets				
10	**Intangible assets**				
	Goodwill	46.777	72.893	649	937
		46.777	72.893	649	937
11	**Property, plant and equipment**				
	Land and buildings	74.355	60.745	74.355	60.745
	Plant and machinery	23.983	28.064	23.983	28.064
	Other fixtures and equipment	3.523	2.214	2.230	2.061
	Property, plant and equipment under construction	983	14.292	983	14.292
		102.844	105.315	101.551	105.162
	Investments				
12	Investments in subsidiaries	0	0	27.821	77.583
		0	0	27.821	77.583
	Total non-current assets	149.621	178.208	130.021	183.682
	Current assets				
	Inventories				
	Raw materials	1.294	2.124	1.294	2.124
	Finished goods	1.243	2.850	1.243	2.850
		2.537	4.974	2.537	4.974
	Receivables				
	Trade receivables	72.191	74.320	64.722	72.346
13	Work in progress	6.811	3.979	3.200	3.801
	Receivables from group companies	44.646	50.526	61.961	51.213
14	Deferred tax asset	3.185	1.660	1.758	1.324
	Other receivables	2.425	1.507	1.323	592
	Corporation tax	965	588	0	588
	Prepayments	3.033	2.836	1.475	1.716
		133.256	135.416	134.439	131.580
	Cash at bank and in hand	10.163	9.697	229	700
	Securities and investments	10	8	10	8
	Total current assets	145.966	150.095	137.215	137.262
	TOTAL ASSETS	295.587	328.303	267.236	320.944

Balance sheet at 31 December

Note	DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	15.000	15.000	15.000	15.000
	Retained earnings	108.214	110.441	108.214	110.441
	Proposed dividends	0	10.000	0	10.000
	Equity holders' share of equity, Danbor A/S	123.214	135.441	123.214	135.441
	Non-controlling Interests	0	17	0	0
	Total equity	**123.214**	**135.458**	**123.214**	**135.441**
15	**Non-current liabilities**				
	Mortgage credit institutions	75.380	79.640	75.380	79.640
	Finance lease obligations	4.874	3.843	4.656	3.843
	Other long term debt	18.000	36.500	0	36.500
		98.254	119.983	80.036	119.983
	Current liabilities				
15	Current portion of non-current liabilities	5.723	5.338	5.679	5.338
	Bank debt	26	27	0	0
	Trade payables	26.993	14.073	25.771	13.462
	Payables to group companies	1.005	0	1.005	0
	Corporation tax	645	770	645	0
	Other payables	36.027	50.147	27.186	44.213
	Accruals	3.700	2.507	3.700	2.507
		74.119	72.862	63.986	65.520
	Total liabilities other than provisions	172.373	192.845	144.022	185.503
	TOTAL EQUITY AND LIABILITIES	295.587	328.303	267.236	320.944

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Cash flow statement

DKK'000	2016	2015
Profit before tax	1.467	12.951
Non-controlling Interests' share of profit before tax	0	-3
Amortisation and depreciation	20.335	13.152
Deferred tax adjustments	0	136
Corporation tax paid	-3.357	-8.563
Profit from sale of non-currents assets	-317	352
Adjustments on financial instruments and other adjustments	-2.373	-71
Cash generated from operations before changes in working capital	**15.755**	**17.954**
Changes in inventories	2.437	-1.325
Changes in receivables	5.067	25.579
Changes in trade payables and other payables	2.040	2.653
Cashflow from operating activities	**25.299**	**44.861**
Investments in intangible assets	-42	-73.801
Investments in property, plant and equipment	-13.334	-25.667
Disposal of tangible assets	1.407	825
Securities and investments	-2	3
Sale of investments in associated companies	0	3.150
Cashflow from investing activities	**-11.971**	**-95.490**
Proceeds from mortgage loans	-4.043	39.455
Proceeds from other long-loans	1.199	36.500
Repayment of long-term debts	0	-2.733
Minority interests	-17	-3
Dividend paid	-10.000	-15.000
Cashflow from financing activities	**-12.861**	**58.219**
Cashflow from operating, investing, and financing activities	**467**	**7.590**
Cash and cash equivalents at beginning of year	9.670	2.080
Cash and cash equivalents at year-end	**10.137**	**9.670**
Breakdown of cash and cash equivalents		
Cash	10.163	9.697
Bank debt	-26	-27
Cash and cash equivalents at year-end	**10.137**	**9.670**

Equity statement

Note	Parent company	Share capital	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2016	15.000	110.441	10.000	135.441
	Dividends paid in 2016	0	0	-10.000	-10.000
	Value adjustment financial instruments	0	-2.373	0	-2.373
18	Transfer, see "Appropriation of profit/loss"	0	146	0	146
	Equity at 31 December 2016	**15.000**	**108.214**	**0**	**123.214**

Note	Consolidated	Share capital	Retained earnings	Proposed dividend	Total
	Equity at 1 January 2016	15.000	110.458	10.000	135.458
	Dividends paid in 2016	0	0	-10.000	-10.000
18	Transfer, see "Appropriation of profit/loss"	0	146	0	146
	Disposal of Non-controlling Interests	0	-17	0	-17
	Value adjustment financial instr.	0	-2.373	0	-2.373
	Equity at 31 December 2016	**15.000**	**108.214**	**0**	**123.214**

The share capital consists of two shares with nominal values of DKK 3,000 thousand and of two shares with nominal values of DKK 4,500 thousand, respectively. No changes in share capital during the last 5 years.

Notes

1 Accounting policies

The consolidated financial statements and the Parent company financial statements of Danbor A/S for 2016 have been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Referring to section 96 of the Danish Financial Statements Act, the Company has not disclosed segment information for competitive reasons.

Effective 1 January 2016, the Company has adopted act no. 738 of 1 June 2015. In future, residual values of property, plant and equipment are subject to annual reassessment. Consequently, the change is made in accordance with section 4 of the executive order on transitional provisions[1] with future effect only as a change in accounting estimates with no impact on equity. The changes have no impact on the income statement or the balance sheet for 2016 or the comparative figures.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the Parent company, Danbor A/S, and subsidiaries in which Danbor A/S directly or indirectly holds more than 50 % of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

Business combinations

Recently acquired or formed entities are recognised in the consolidated financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the consolidated income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

Gains or losses on disposal of subsidiaries are made up as the difference between the sales price and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated selling costs.

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill.

[1] The executive order on transitional provisions based in connection with the application of certain provisions in the Danish Financial Statements Act, as amended by act no. 738 of 1 June 2015 regarding amendments to the Danish Financial Statements Act and a number of other acts.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill) is recognised as intangible assets and amortised on a systematic basis.

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, additions of assets and share conversions, etc. in which entities controlled by the Parent Company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquired entity are recognised in equity.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Moreover, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment losses and provisions as well as reversals as a result of changes in accounting estimates of amounts that were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Foreign subsidiaries are considered separate entities. The income statements are translated at the average exchange rates for the month in question, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of balances with independent foreign subsidiaries that are considered part of the total investment in the subsidiary are recognised directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as currency hedges of foreign subsidiaries are also recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Revenue

Revenue is measured at the fair value of the agreed consideration ex. VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Work in progress concerning customised production is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

Other external costs

Other external costs comprise costs of sale, distribution, administration as well as purchases of services for resale.

Other operating income

Other operating income comprises items secondary to the activities of the Company, including gains on the disposal of intangible assets and property, plant and equipment.

Other operating costs

Other operating costs comprise items secondary to the activities of the Company, including losses on the disposal of intangible assets and property, plant and equipment.

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the Parent company after full elimination of intra-group profits/losses.

Financial income and expenses

Financial income and expenses comprise interest income and expense, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Balance sheet

Intangible assets

On initial recognition, intangible assets are measured at cost.

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over 10 years for strategic acquisitions with a long-term earnings profile.

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows:

Buildings	3 - 15 years
Plant and machinery	3 - 10 years
Fixtures and fittings, tools and equipment	3 - 5 years

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating income or other operating costs, respectively.

Leases

Leases for non-current assets that transfer substantially all the risks and rewards incident to ownership to the Company (finance leases) are initially recognised in the balance sheet at cost, corresponding to the lower of fair value and the net present value of future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the Company's other non-current assets.

The capitalised residual lease obligation is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are treated as operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The Company's total obligation relating to operating leases and other leases is disclosed in contingencies, etc.

Securities and investments

Securities and investments recognised under non-current assets comprise listed bonds measured at fair value.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at equity value. Where cost exceeds the recoverable amount, investments are written down to this lower value.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where net realisable value is lower than cost, inventories are written down to this lower value.

Raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

Finished goods and work in progress are measured at cost, comprising the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management. Borrowing costs are not included in cost.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a receivable portfolio has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress

Work in progress is measured at the selling price of the work performed less any payments received on account of the customer and expected losses.

The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract. The stage of completion is determined on the basis of an estimate of the work, usually calculated as the ratio between the costs incurred and total estimated costs of the order or hours worked and the total estimated hours worked for that order.

Net assets are determined as the sum of orders where the selling price of the work performed exceeds progress billings. Net liabilities are determined as the sum of orders where progress billings exceed the selling price.

Prepayments from customers are recognised as liabilities.

Selling costs and costs incurred in securing contracts are recognised in the income statement when incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases.

Other liabilities are measured at net realisable value.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Cash flow statement

The cash flow statement, which is presented according to the indirect method, shows the Group's cash flows from operating, investing and financing activities for the year and the cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises, activities and investments as well as the acquisition, development, optimisation and disposal, etc. of intangible assets and property, plant and equipment, including the acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise securities, cash less short-term bank loans.

Notes

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
2 - Segment information				
Revenue	409.941	371.788	352.567	364.004
Change in work of progress	4.155	-6.790	722	-5.166
	414.096	364.998	353.289	358.838

Information on the distribution of revenue on segments is omitted in the financial statements. It is our opinion that the information may cause substantial competitive harm to the Company, given only a few competitors.

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
3 - Fees to auditors appointed at the annual general meeting				
Audit services	283	220	180	180
Non-audit services	155	65	145	50
	438	285	325	230
4 - Staff costs				
Wages and salaries	209.594	182.857	168.504	174.087
Pensions	26.184	15.215	22.044	14.390
Other social costs	1.848	985	909	857
	237.626	199.057	191.457	189.334
Average number of employees	378	376	313	321

Remuneration of the parent company Board of Directors and the Executive Board amounts to DKK 2,727 thousand (2015: DKK 1,796 thousand).

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
5 – Depreciation and amortisation				
Amortisation of intangible assets	5.618	2.133	288	288
Depreciation on property, plant and equipment	14.718	11.019	14.535	11.027
	20.336	13.152	14.823	11.315
6 - Other operational income				
Gain on the sale of property, plant and equipment	317	23	317	23
7 - Financial income				
Interest from group companies	0	0	175	0
Interest from banks	14	23	14	22
Other interest	54	281	3	281
Foreign exchange gains	93	54	93	54
	161	358	285	357
8- Financial expenses				
Interest to banks	1	29	1	0
Interest and amortisation leasing	73	136	73	136
Other interest	1.023	467	888	456
Foreign exchange losses	193	0	37	0
	1.290	632	999	592

Notes

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
9 – Tax on profit for the year				
Current tax for the year	2.658	3.522	2.658	4.724
Adjustment of deferred tax	-1.466	-136	-434	160
Adjustment regarding previous years	129	363	-3	-1
	1.321	3.749	2.221	4.883

DKK'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
10 – Goodwill				
Cost at 1 January 2016	75.819	2.018	2.018	2.018
Additions	41	73.801	0	0
Disposals	-20.539	0	0	0
Cost at 31 December 2016	55.321	75.819	2.018	2.018
Amortisation at 1 January 2016	2.926	793	1.081	793
Amortisation	5.618	2.133	288	288
Amortisation at 31 December 2016	8.544	2.926	1.369	1.081
Carrying amount at 31 December 2016	46.777	72.893	649	937

11 - Property, plant and equipment

	Parent and consolidated			Parent	Consolidated
DKK'000	Land and buildings	Plant and machinery	PP&E under construction	Other fixtures and equipment	Other fixtures and equipment
Cost at 1 January 2016	164.616	77.460	14.292	5.864	6.074
Additions	20.668	3.750	983	849	2.225
Disposals	0	-6.117	-14.292	-14	-179
Cost at 31 December 2016	185.284	75.093	983	6.699	8.120
Depreciation at 1 January 2016	103.871	49.396	0	3.803	3.860
Depreciation	7.058	6.845	0	673	812
Depreciation on assets sold	0	-5.131	0	-7	-75
Depreciation at 31 December 2016	110.929	51.110	0	4.469	4.597
Carrying amount at 31 December 2016	74.355	23.983	983	2.230	3.523
Property, plant and equipment include finance leases with a carrying amount totalling	0	6.280	0	0	400

The official annual valuation of Danish properties with a carrying amount of DKK 74,355 thousand amounted to DKK 114,604 thousand at 31 December 2016 (31 December 2015: DKK 101,807 thousand).

Notes

12 - Investments in subsidiaries

DKK'000

Parent company	2016
Cost at 1 January 2016	83.667
Additions	37.272
Disposals	-83.801
Cost at 31 December 2016	37.138
Value adjustments at 1 January 2016	-6.084
Share of profit for the year	-9.320
Amortisation of goodwill	6.087
Value adjustments at 31 December 2016	-9.317
Carrying amount at 31 December 2016	**27.821**

Investment specification Parent company:

Name	Residence	Ownership
NSG Wind A/S	Esbjerg, Denmark	100%

13 - Work in progress

	Consolidated		Parent company	
DKK'000	2016	2015	2016	2015
Work in progress	7.493	5.197	3.882	5.019
Prepayments from customers	-682	-1.218	-682	-1.218
Carrying amount at 31 December 2016	**6.811**	**3.979**	**3.200**	**3.801**

14 - Deferred tax asset

Deferred tax at 1 January	1.660	1.524	1.324	1.484
Adjustment of the deferred tax charge for the year	1.525	136	434	-160
Deferred tax at 31 December 2016	**3.185**	**1.660**	**1.758**	**1.324**

Intangible assets	-15	143	-15	143
Property, plant and equipment	1.946	1.611	2.050	1.624
Current assets	-771	-687	-437	-443
Liabilities and provisions	218	0	160	0
Tax loss	1.807	593	0	0
Carrying amount at 31 December 2016	**3.185**	**1.660**	**1.758**	**1.324**

Notes

15 - Mortgage credit institutions and lease obligations

	Parent			
	Mortgage credit institutions		**Finance Lease obligations**	
DKK'000	2016	2015	2016	2015
Due for payment 0-<1 year	4.216	4.314	1.462	1.024
Due for payment 1-5 years	21.223	17.174	4.656	3.843
Due for payment > 5 years	54.158	62.466	0	0
Carrying amount at 31 December 2016	79.597	83.954	6.118	4.867

	Consolidated			
	Mortgage credit institutions		**Finance Lease obligations**	
DKK'000	2016	2015	2016	2015
Due for payment 0-<1 year	4.216	4.314	1.506	1.024
Due for payment 1-5 years	21.223	17.174	4.874	3.843
Due for payment > 5 years	54.158	62.466	0	0
Carrying amount at 31 December 2016	79.597	83.954	6.380	4.867

16 - Contingent liabilities and collateral security – parent and consolidated

Collateral security
Land and buildings with a carrying amount of DKK 74,355 thousand at 31 December 2016 have been provided as collateral for mortgages of DKK 79,597. The Parent company has provided a company charge of DKK 40,000 thousand to credit institution secured upon trade receivables, plant and machinery and inventories. The Parent company charge is furthermore secured for the Parent company accounts with credit institution.

Contingent liabilities
Rent and operating lease obligations amount to DKK 8,600 thousands of which DKK 2,819 thousand is due in 2017.

Other
The group hedges anticipated interest risks on mortgage loans with SWAP-agreements

The parent company is the administrative company for the Danish joint taxation. Together with the other jointly taxed enterprises in the group, the Company has limited and secondary liability for the payment of corporation taxes for the income years and withholding taxes in the joint taxation unit.

17 - Related party disclosures

Danbor A/S' related parties comprise the following:

NorSea Group AS, Norway
NSG Wind A/S, Denmark
Danbor B.V., the Netherlands
Øer A/S, Denmark
Øer GmbH, Germany
Norserv Drelnes P/F, Faroe Islands

There have not been any related party transactions not carried out on an arm's length basis.

Parties exercising control
NorSea Group AS holds 100 % of the share capital in the Company.
The consolidated financial statements of NorSea Group AS are available at the Company's address.

Notes

18 – Appropriation of profit/loss

	Consolidated		Parent company	
DKK'000	2016	2015	2016	2015
Proposed dividends	0	10.000	0	10.000
Retained earnings	146	2.454	146	2.454
Reserve for net revaluation under the equity method	0	-3.252	0	0
	146	**9.202**	**146**	**12.454**